

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 6317

BILL NUMBER: HB 1054

DATE PREPARED: Dec 6, 2001

BILL AMENDED:

SUBJECT: Public Safety Officers' Survivors Benefits.

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FUNDS AFFECTED: **GENERAL
DEDICATED
FEDERAL**

IMPACT: Local

Summary of Legislation: This bill provides that the unit of local government that employed a member of the 1925 Police Pension Fund, the 1937 Firefighters' Pension Fund, the 1953 Police Pension Fund, or the 1977 Police Officers' and Firefighters' Pension Fund who dies in the line of duty shall provide and pay for health insurance coverage for the member's surviving spouse and dependent children. The bill provides that if health insurance coverage is offered by the unit to active fund members, the health insurance provided to a surviving spouse and child must be equal in coverage to that offered to active members.

Effective Date: July 1, 2002.

Explanation of State Expenditures:

Explanation of State Revenues:

Explanation of Local Expenditures: The bill could potentially increase the cost incurred by local units for providing health care benefits to survivors of police and fire employees who died in the line of duty. The minimum cost of the bill is estimated to be approximately \$273,000 annually. Several cost ranges are provided below based on: (1) The premium cost of three separate employee health plans; and (2) the distribution of coverage among survivors.

Currently, there are 69 known survivors who may qualify for insurance coverage under the bill. Eight survivors are identified as children. However, their ages are unknown. Therefore, the estimated cost may be lower depending upon the eligibility of these individuals. The minimum cost range would apply if all survivors selected single coverage. The maximum cost range applies if all survivors select family coverage. The middle cost range applies if the distribution of coverage among qualifying survivors is similar to state employees.

Cost Estimate for State Health Insurance -

- (1) All survivors select single coverage - The estimated cost would be approximately \$273,000 annually.
- (2) All survivors select family coverage - The estimated cost would be approximately \$721,000 annually.
- (3) Distribution of coverage among qualifying survivors is similar to that for state employees - The estimated cost would be approximately \$542,000 annually.

Cost Estimate for Local Buy-in to State Health Insurance -

- (1) All survivors select single coverage - The estimated cost would be approximately \$351,000 annually.
- (2) All survivors select family coverage - The estimated cost would be approximately \$957,000 annually.
- (3) Distribution of coverage among qualifying survivors is similar to that for state employees - The estimated cost would be approximately \$714,000 annually.

Cost Estimate for Insurance based on City of Indianapolis Rates -

- (1) All survivors select single coverage - The estimated cost would be approximately \$341,000 annually.
- (2) All survivors select family coverage - The estimated cost would be approximately \$965,000 annually.
- (3) Distribution of coverage among qualifying survivors is similar to that for state employees - The estimated cost would be approximately \$716,000 annually.

Background: Based on research by the Public Employees' Retirement Fund (PERF) and Ice, Miller, Donadio & Ryan, there are 69 survivors of members of the specified pension funds who died in the line of duty. The cost ranges above are based on insurance coverage for 69 survivors.

Three cost scenarios are provided for these survivor benefits. Health insurance cost estimates use average costs for: (1) state health insurance plans, (2) local policies purchased under HEA1925-2001 through state insurance providers, and (3) health insurance costs for the City of Indianapolis. Three cost estimates are provided for each group.

Each cost scenario has three estimates reflecting the following variations: (1) all survivors sign up for single coverage, (2) all survivors sign up for family coverage, and (3) the distribution is similar to state employees.

These estimates assume that the premium cost of single and family health insurance coverage provided by local units is equivalent to the average single and family premium cost of the respective health plans. Premiums for health coverage provided by local units vary depending upon the size of the insured group and the claims experience of the group. Thus, actual expenses may be higher or lower than these estimates.

Insurance Rates:

State Plan - On average, the CY 2002 state health insurance rate for single coverage is approximately \$3,958, and family coverage is approximately \$10,450.

Local Plan through State providers- On average, the CY 2002 state health insurance rate for single coverage is approximately \$5,591, and family coverage is approximately \$13,862.

City of Indianapolis Plan - On average, the CY 2002 health insurance rate for single coverage is approximately \$4,958, and family coverage is approximately \$13,986.

Explanation of Local Revenues:

State Agencies Affected:

Local Agencies Affected: Local Government Units.

Information Sources: Tom Parker, Public Employees' Retirement Fund, 233-4162; Eric Swank, Ice, Miller, Donadio & Ryan, 236-2100; Colin Kebo, Administrator Human Resources Division, City of Indianapolis, (317) 327-5212.